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TAGS: [ECON](#) [FAIR](#) [PREL](#) [CH](#) [TW](#)

SUBJECT: CHEN SURPRISES HEWLETT-PACKARD CHAIRMAN ON
CROSS-STRAITS

Classified By: AIT Director Douglas H. Paal, Reason 1.4 (B/D)

Summary

1. (C) In what Hewlett-Packard (HP) Taiwan has described privately as an ambush,⁸ President Chen publicly called on visiting HP chairman Carly Fiorina to promote cross-Straits direct charter flights with Beijing. HP responded by publicly declining any role in dealing with political matters such as cross-Straits relations. HP had understood that the meeting would not include press and would only be a courtesy call. However, HP should not have been surprised by Chen's desire to use the event to further the cause of direct links and may have worsened the situation by attracting further media attention. HP told AIT/T econ and comm officers that the row may cause HP to reexamine future plans for business in Taiwan. End summary.

Dueling Statements

2. (U) On Friday, October 15, Hewlett-Packard's visiting chairman and CEO Carly Fiorina paid a courtesy call on Taiwan President Chen Shui-bian. During the meeting, Chen read a statement to the press calling on Fiorina and HP to send a message to Beijing promoting direct cross-Straits charter flights. The meeting received broad media coverage in Taiwan. A few hours after the meeting, HP released a short statement explaining that businessmen should concentrate on business, and political questions should be solved by politicians. The statement said HP would not participate in any political discussions. On Saturday, the Presidential Office released its reaction to HP's rebuttal. The President's spokesman said that HP had misinterpreted Chen's speech. He said Chen had not intended to solicit Fiorina's help as an intermediary; he had only wanted to underscore the benefits of direct transportation links to both the public and private sector. The spokesman noted that the President doesn't need a private sector go-between to deal with cross-Straits relations.

HP Angry and Frustrated

3. (C) HP was angry about the way the meeting was handled and the content of the President's statement. According to Rosemary Ho, Managing Director of HP Taiwan, the Presidential Office had requested the meeting and gave HP no warning that the content would be so political and sensitive. When HP scheduled the meeting they provided a list of business-related topics for discussion. The Presidential Office told them that there was no time for so much substance and the meeting should instead be a friendly exchange of courtesies. HP also believes it had a clear understanding with the Presidential Office that there would be no press at the meeting. Ho said that she had confirmed the no press conditions several times before the meeting. Furthermore, reporters and cameras left immediately after the President's statement, giving Fiorina no opportunity to respond publicly.

4. (C) Ho stated that although HP had previously called privately for direct charter flights, they have never done so publicly. She noted that in earlier discussions with Ministry of Economic Affairs officials they have maintained that they would deny promoting charter flights if exposed publicly. HP may fear difficulty doing business in the PRC if it becomes too closely linked to Chen Shui-bian and his cross-Straits agenda. HP is particularly sensitive to PRC concerns on cross-Straits issues right now, so soon after the PRC's cool reaction to Chen's overtures in his October 10 National Day speech. HP is the biggest foreign buyer of Taiwan products. In Chen's own statement he pointed out that HP accounted for one third of the total value of Taiwan products sold to foreign firms. So, HP was especially dismayed that the President would treat Taiwan's biggest customer in this way.

Presidential Office Offers Different Version of Events

5. (C) Presidential Office aide Liu Shih-chung offered a very

different version of events. Liu said it was HP that asked for the meeting, and denied that there was any intention to "ambush" Fiorina. "Frankly, we treated this just as one of the other many courtesy calls the president has each day," Liu remarked, adding that little effort was put into preparing the president to discuss substantive issues. Liu attributed HP's reaction to hyper-sensitivity on Ho's part. Liu asserted that Ho met with President Chen in 2003 and offered to "use her contacts in Beijing" to help jumpstart direct charter flights. Liu said that Chen humored her by saying that he welcomed her efforts, but it appeared in retrospect that Ho left convinced she was authorized by the president to serve as a special channel. Liu suggested that Ho, witnessing recent PRC discrimination against pro-DPP business people on the Mainland, feared that Chen's comments on direct links might remind Beijing of her past efforts as a self-appointed "secret envoy" for the Chen administration. Separately, Mainland Affairs Council (MAC) Senior Vice Chairman Chiu Tai-san offered a similar assessment. "Chen's public remarks at the meeting were simply a rehash of the same points he has used in every single meeting with business leaders or Taishang (Taiwan investors) over the past three weeks," Chiu asserted.

HP Reevaluating Taiwan Plans

16. (C) After the spate of media coverage of the controversial meeting caused in large part by HP's public rebuke of the President, HP is keeping quiet for now. They have not made any public statement since Friday evening's short press release, and will wait until media attention is fully drawn to other issues. However, Ho told AIT/T that HP would now reexamine its plans for business in Taiwan in light of the run-in with the President.

17. (C) HP has a strong interest in establishing charter air cargo flights from its factories in Shanghai to Taipei. HP has been developing a plan that would expand the use of Taipei as a logistics hub for notebook computer deliveries around the world. HP ships 36,000 tons of notebook computers every year by airfreight primarily from Eastern China -- enough to fill 366 planes. According to Ho, HP estimates it can save USD 30 million per year by shipping notebook computers from assembly plants near Shanghai to the U.S. and Europe via Taipei instead of directly from Shanghai. Because cargo space on flights out of Shanghai is so costly and unpredictable, HP believes that it can achieve these savings if it can take advantage of reliable charter flights from Shanghai to Taipei. Ironically, the President's effort to promote this key element in HP's plan may lead HP to reconsider its strategy to Taiwan's detriment economically.

Comment) Impact on Business and Cross-Strait Relations

18. (C) In the meeting with AIT/T, HP's Ho was clearly frustrated and angry at Chen's office. The perception that Chen "ambushed" Fiorina has compromised HP Taiwan within the firm and damaged HP's goodwill toward Taiwan. In addition, the executive director of the American Chamber of Commerce in Taiwan told AIT/T that the effects may well spread to other multi-nationals in Taiwan who may think twice before meeting with the President and possibly other high-level officials as well. Ho expressed dismay at the President's motivation for taking this approach, noting that it could actually harm efforts to establish direct links by alienating businesses that would otherwise be natural allies.

19. (C) However, HP must share some blame. Ho and her associates should not have been surprised by the change in ground rules for the meeting, which may have been due in part to miscommunication. The Presidential Office may have mistakenly understood that HP's concern about the press applied only to certain business-sensitive issues that were included in HP's original suggested topics for discussion. Furthermore, Chen's frequent use of the press at high-level meetings to pursue his public relations goals is well known. Even after confirmation of no press ground rules, HP Taiwan executives should have been prepared for the possibility that they would be ignored. They may also have overreacted to the content of his statement, which did not break new territory for Chen. Their press statement in response only attracted more media attention to the incident. It is likely that this was just a miscalculation on the part of the Presidential Office. Taiwan officials have consistently told AIT/T that making progress on Taiwan's terms on direct air links and charter flights in particular is one of the President's highest priorities. Unfortunately, this latest maneuver was probably counterproductive.

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